CANADA SCHOOL OF PUBLIC SERVICE

FINANCIAL STATEMENTS

(Unaudited)

For the year ended March 31, 2012

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2012, and all information contained in these statements rests with the management of the Canada School of Public Service ("the School"). These financial statements have been prepared by management using the Government's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgement, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the School's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the School's Departmental Performance Report, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act*, the *Canada School of Public Service Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the School and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risk, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2012 was completed in accordance with the Treasury Board Policy on Internal Control and the results and action plans are summarized in the annex.

The financial statements of the School have not been audited.

Original signed by:

Guy McKenzie
Deputy Minister/President

Original signed by:

Chantale Cousineau-Mahoney
Vice-President and Chief Financial Officer
Corporate Management and Registration Services Branch

Ottawa, Canada
August 31, 2012

Statement of Financial Position (Unaudited)

As at March 31 (in thousands of dollars)	2012	Restated (note 12) 2011
Liabilities		
Accounts payable and accrued liabilities (note 4)	**12,255**	13,194
Vacation pay and compensatory leave	**3,005**	3,150
Employee future benefits (note 5)	**6,361**	12,911
Other liabilities	**11**	32
Total liabilities	**21,632**	29,287
Financial assets		
Due from the Consolidated Revenue Fund	**9,842**	11,387
Accounts receivable and advances (note 6)	**1,011**	2,409
Total financial assets	**10,853**	13,796
Departmental net debt	**10,779**	15,491
Non-financial assets		
Prepaid expenses	**47**	290
Tangible capital assets (note 7)	**4,530**	6,034
Total non-financial assets	**4,577**	6,324
Departmental net financial position	**(6,202)**	(9,167)

Contractual obligations (note 8)

The accompanying notes form an integral part of the financial statements

Original signed by:

Guy McKenzie
Deputy Minister/President

Original signed by:

Chantale Cousineau-Mahoney
Vice-President and Chief Financial Officer
Corporate Management and Registration Services Branch

Ottawa, Canada
August 31, 2012

Statement of Operations and Departmental Net Financial Position (Unaudited)

For the year ended March 31 (in thousands of dollars)	Planned Results 2012	2012	Restated (note 12) 2011
Expenses			
Foundational learning	**76,298**	**83,240**	81,503
Organizational leadership development	**12,846**	**14,053**	20,082
Public sector management innovation	**12,995**	**9,404**	11,634
Internal Services	**16,027**	**26,273**	25,788
Total expenses	**118,166**	**132,970**	139,007
Revenues			
Sales of goods and services	**49,969**	**72,387**	71,654
Other revenues	**31**	**18**	41
Total revenues	**50,000**	**72,405**	71,695
Net cost from continuing operations	**68,166**	**60,565**	67,312
Transferred operations (note 10)			
Expenses	**3,125**	**3,029**	5,133
Net cost of transferred operations	**3,125**	**3,029**	5,133
Net cost of operations before government funding and transfers	**71,291**	**63,594**	72,445
Government funding and transfers			
Net cash provided by Government		**51,558**	58,003
Change in due from Consolidated Revenue Fund		**(1,545)**	(851)
Services provided without charge by other government departments (note 9)		**16,637**	15,891
Transfers of assets and liabilities to other government departments (note 10)		**(91)**	-
Net cost of operations after government funding and transfers		**(2,965)**	(598)
Departmental net financial position – Beginning of year		**(9,167)**	(9,765)
Departmental net financial position – End of year		**(6,202)**	(9,167)

Segmented information (note 11)

The accompanying notes form an integral part of the financial statements.

Statement of Change in Departmental Net Debt (Unaudited)

For the year ended March 31 (in thousands of dollars)	2012	2011
Net cost of operations after government funding and transfers	**(2,965)**	(598)
Change due to tangible capital assets		
Acquisition of tangible capital assets	**79**	272
Amortization of tangible capital assets	**(1,583)**	(1,468)
Net loss on disposal of tangible capital assets including adjustments	**-**	(6)
Transfer to other government departments	**-**	(10)
Total change due to tangible capital assets	**(1,504)**	(1,212)
Change due to prepaid expenses	**(243)**	(473)
Net decrease in departmental net debt	**(4,712)**	(2,283)
Departmental net debt – Beginning of year	**15,491**	17,774
Departmental net debt – End of year	**10,779**	15,491

The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows (Unaudited)

For the year ended March 31 (in thousands of dollars)	2012	2011
Operating Activities		
Net cost of operations before government funding and transfers	**63,594**	72,445
Non-cash items		
Amortization of tangible capital assets (note 7)	**(1,583)**	(1,468)
Loss on disposal of tangible capital assets	**-**	(6)
Services provided without charge by other government departments (note 9)	**(16,637)**	(15,891)
Variations in Statement of Financial Position		
Increase (decrease) in accounts receivable and accountable advances	**(1,398)**	329
Decrease in prepaid expenses	**(243)**	(473)
Decrease in accounts payable and accrued liabilities	**939**	805
Decrease in vacation pay and compensatory leave	**145**	103
Decrease in employee future benefits	**6,550**	1,913
Decrease (increase) in other liabilities	**21**	(16)
Transfer of liabilities to other government departments (note 10)	**91**	-
Cash used in operating activities	**51,479**	57,741
Capital investing activities		
Acquisitions of tangible capital assets (note 7)	**79**	272
Transfer of tangible capital asset	**-**	(10)
Cash used in capital investing activities	**79**	262
Net cash provided by Government of Canada	**51,558**	58,003

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements (Unaudited)

1. Authority and objectives

On April 1, 2004, amendments to the Canadian Centre for Management Development Act were proclaimed and the organization was renamed the Canada School of Public Service ("the School"). The amended legislation, now entitled the Canada School of Public Service Act, continues and expands the mandate of the former organization as a departmental corporation. The School reports to the President of the Treasury Board.

The School has a single strategic outcome: "Public servants have the common knowledge and the leadership and management competencies they require to fulfill their responsibilities in serving Canadians". Four program activities support this strategic outcome:

1. Foundational Learning
2. Organizational Leadership Development
3. Public Sector Management Innovation
4. Internal Services

The School was created to ensure that all employees of the Public Service of Canada have the required competencies and common knowledge to serve Canadians in the most efficient and effective way possible. To achieve this goal, the School continues to offer a strong curriculum that focuses on the key skills and knowledge required by a dynamic public service that is constantly changing and adapting to the needs of its stakeholders and Canadians. At the same time, the School also relies on the consistency of its training and learning activities to ensure that Public Service employees have the common skills and knowledge expected of them.

2. Summary of significant accounting policies

These financial statements have been prepared using the Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

(a) Parliamentary authorities

The School is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the School do no parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the basis of reporting. The planned results amounts in the Statement of Operations and Departmental Net Financial Position are the amounts reported in the future-oriented financial statements included in the 2011-12 Report on Plans and Priorities.

2. Summary of significant accounting policies (Continued)

(b) Net cash provided by Government

The School operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the School is deposited to the CRF, and all cash disbursements made by the School are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government.

(c) Due from or to the CRF

Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the School is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Revenues

Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

(e) Expenses

Expenses are recorded on the accrual basis:

- ✓ Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements. Transfer payments that become repayable as a result of conditions specified in the contribution agreement that have come into being are recorded as a reduction to transfer payment expense and as a receivable.
- ✓ Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- ✓ Services provided without charge by other government departments for accommodation and employer contributions to the health and dental insurance plans are recorded as operating expenses at their estimated cost.

(f) Employer future benefits

- ✓ **Pension benefits:** Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. The School's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The School's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.
- ✓ **Severance benefits:** Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

2. Summary of significant accounting policies (Continued)

(g) Accounts receivable and advances

Accounts receivables and advances are stated at the lower of cost or net recoverable value. A valuation allowance is recorded for receivables where recovery is considered uncertain.

(h) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of $5,000 or more are recorded at their acquisition cost. The School does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

Amortization of tangible capital assets is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Asset class	Amortization period
Machinery & Equipment	5-10 years
Other Equipment (including furniture)	5-12 years
Informatics Hardware	3-5 years
Software (including developed software)	3-5 years
Motor Vehicles	4 years
Leasehold Improvements	2-10 years

(i) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are the allowance for doubtful accounts, the liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

3. Parliamentary authorities

The School receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the School has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year authorities used

(in thousands of dollars)	2012	Restated (note 12) 2011
Net cost of operations before government funding and transfers	**63,594**	72,445
Adjustments for items affecting net cost of operations but not affecting authorities:		
Revenues	**72,405**	71,695
Services provided without charge by other government departments	**(16,637)**	(15,891)
Provision for severance benefits	**6,473**	1,913
Amortization of tangible capital assets	**(1,583)**	(1,468)
Loss on disposal of tangible capital assets	**-**	(6)
Prior year adjustments	**1,692**	133
Provisions for vacation pay and compensatory leave	**207**	103
Other	**(45)**	(89)
Total adjustments for items affecting net cost of operations but not affecting authorities	**62,512**	56,390
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets (note 7)	**79**	272
Decrease in prepaid expense	**(243)**	(473)
Total adjustments for items not affecting net cost of operations but affecting authorities	**(164)**	(201)
Current year authorities used	**125,942**	128,634

3. Parliamentary authorities (Continued)

(b) Authorities provided and used

(in thousands of dollars)	2012	2011
Authorities provided:		
Vote 40 – Program expenditures	**56,800**	57,756
Less:		
Lapsed authorities	**(6,426)**	(6,174)
Total authorities used	**50,374**	51,582
Statutory authorities:		
Spending of revenues pursuant to subsection 18(2) of the *Canada School of Public Service Act*	**63,252**	65,087
Contributions to employee benefits plan	**11,789**	11,964
Refund of previous year revenues	**526**	-
Spending of proceeds from the disposal of surplus Crown assets	**1**	1
Total statutory authorities used	**75,568**	77,052
Current year authorities used	**125,942**	128,634

4. Accounts payable and accrued liabilities

The following table presents details of the School's accounts payable and accrued liabilities:

(in thousands of dollars)	2012	2011
Accounts payable – Other government departments and agencies	**7,127**	7,103
Accounts payable – External parties	**1,748**	3,334
Total Accounts payable	**8,875**	10,437
Accrued liabilities	**3,380**	2,757
Total accounts payable and accrued liabilities	**12,255**	13,194

5. Employee future benefits

(a) Pension benefits

The School's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with the Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the School contribute to the cost of the Plan. The 2011-12 expense amounts to $8,476,191 ($8,399,036 in 2010-11), which represents 1.8 times (1.9 times in 2010-11) the contributions by employees.

The School's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

5. Employee future benefits (Continued)

(b) Severance benefits

The School provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in fiscal year 2011-2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or to collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation. Information about the severance benefits, measured as at March 31 is as follows:

(in thousands of dollars)	2012	2011
Accrued benefit obligation, beginning of year	**12,911**	14,824
Transferred to other government department, effective November 15, 2011 (note 10)	**(77)**	-
Subtotal	**12,834**	14,824
Expense for the year	**1,470**	(789)
Benefits paid during the year	**(7,943)**	(1,124)
Accrued benefit obligation, end of year	**6,361**	12,911

6. Accounts receivable and advances

The following table presents details of the School's accounts receivable and advances balances:

(in thousands of dollars)	2012	2011
Receivables – Other government departments and agencies	**689**	1,823
Receivables – External parties	**412**	597
Employee advances	**7**	40
Subtotal	**1,108**	2,460
Allowance for doubtful accounts on receivables from external parties	**(97)**	(51)
Accounts receivable and advances	**1,011**	2,409

7. Tangible capital assets

Cost (in thousands of dollars)	Opening Balance	Acquisitions	Transfers, Adjustments, Disposals and Write-Offs	Closing Balance
Machinery & Equipment	1,098	71	-	**1,169**
Other Equipment (including furniture)	151	1	-	**152**
Informatics Hardware	233	7	-	**240**
Software (including developed software)	9,638	-	-	**9,638**
Motor Vehicles	26	-	-	**26**
Leasehold Improvements	658	-	-	**658**
Total cost	11,804	79	-	**11,883**

Accumulated amortization (in thousands of dollars)	Opening Balance	Amortization	Transfers, Adjustments, Disposals and Write-Offs	Closing Balance
Machinery & Equipment	813	176	-	**989**
Other Equipment (including furniture)	83	12	-	**95**
Informatics Hardware	35	42	-	**77**
Software (including developed software)	4,457	1,281	-	**5,738**
Motor Vehicles	4	7	-	**11**
Leasehold Improvements	378	65	-	**443**
Total accumulated amortization	5,770	1,583	-	**7,353**

Net book value (in thousands of dollars)	Net Book Value 2011	Net Book Value 2012
Machinery & Equipment	285	**180**
Other Equipment (including furniture)	68	**57**
Informatics Hardware	198	**163**
Software (including developed software)	5,181	**3,900**
Motor Vehicles	22	**15**
Leasehold Improvements	280	**215**
Total net book value	6,034	**4,530**

8. Contractual obligations

The nature of the School's activities can result in some large multi-year contracts and obligations whereby the School will be obligated to make future payments in order to carry out its transfer payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	Operating leases	Total
2013	890	**890**
2014	903	**903**
2015	915	**915**
2016	243	**243**
2017 and thereafter	-	-
Total contractual obligations	2,951	**2,951**

9. Related party transactions

The School is related as a result of common ownership to all government departments, agencies, and Crown corporations. The School enters into transactions with these entities in the normal course of business and on normal trade terms. During the year, the School received common services which were obtained without charge from other government departments as disclosed below.

(a) Common services provided without charge by other government departments

During the year, the School received services without charge from certain common service organizations related to accommodation and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in the School's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	2012	2011
Accommodation	**9,905**	9,860
Employer's contribution to the health and dental insurance plans	**6,732**	6,031
Total common services provided without charge from other government departments	**16,637**	15,891

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as payroll and cheque issuance services provided by Public Works and Government Services Canada are not included in the School's Statement of Operations and Departmental Net Financial Position.

9. Related party transactions (Continued)

(b) Other transactions with related parties

(in thousands of dollars)	2012	2011
Expenses – Other Government departments and agencies	**24,684**	26,947
Revenues – Other Government departments and agencies	**71,132**	69,769

Expenses and revenues disclosed in (b) exclude common services provided without charge, which are already disclosed in (a).

10. Transfers from/to other government departments

Effective November 15, 2011, the School transferred responsibility for a portion of Internal Services to Shared Services Canada in accordance with Order-in-Council 2011-1297, including the stewardship responsibility for the assets and liabilities related to the program. Accordingly, the School transferred the following liabilities related to a portion of Internal Services to Shared Services Canada on November 15, 2011:

Liabilities **(in thousands of dollars)**	
Vacation pay and compensatory leave	14
Employee future benefits (note 5)	77
Total liabilities transferred	**91**
Adjustment to the departmental net financial position	**(91)**

The School managed expenditures on behalf of Shared Services Canada during the period from November 15, 2011 to March 31, 2012 of $2,772K. These expenses are not recorded in these financial statements.

In addition, expenses of $3,029K, for the portion of Internal Services, incurred by the School prior to November 15, 2011 as well as the 2010-2011 expenses of $5,133K have been reclassified on the Statement of Operations and Departmental Net Financial Position to disclose the value of transferred operations for comparative purposes.

11. Segmented information

Presentation by segment is based on the School's program activity architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant policies in note 2. The following table presents the expenses incurred and revenues generated for the main program activities, by major object of expenses and by major types of revenues. The segment results for the period are as follows:

(in thousands of dollars)	Foundational Learning	Organizational Leadership Development	Public Sector Management Innovation	Internal Services	2012	Restated 2011
Transfer payments	-	-	170	-	**170**	254
Operating expenses						
Salaries and employee benefits	52,238	9,121	5,736	19,533	**86,628**	86,455
Professional and special services	18,752	2,629	1,852	1,732	**24,965**	29,683
Rental of accommodation and equipment	7,562	1,351	887	2,619	**12,419**	14,221
Transportation and telecommunications	2,035	548	289	79	**2,951**	3,560
Utilities, materials and supplies	752	115	64	222	**1,153**	1,385
Small equipment and parts	703	111	51	229	**1,094**	606
Printing and publishing	576	3	290	15	**884**	1,038
Amortization of tangible capital assets	6	-	1	1,576	**1,583**	1,468
Repair and maintenance	580	94	63	222	**959**	195
Other operating expenses	36	81	1	46	**164**	136
Loss on disposal of tangible capital assets	-	-	-	-	**-**	6
Total operating expenses	83,240	14,053	9,234	26,273	**132,800**	138,753
Total expenses	83,240	14,053	9,404	26,273	**132,970**	139,007
Revenues						
Sales of goods and services	60,009	6,661	3,775	1,942	**72,387**	71,654
Other Revenues	-	-	-	18	**18**	41
Total revenues	60,009	6,661	3,775	1,960	**72,405**	71,695
Net cost from continuing operations	**23,231**	**7,392**	**5,629**	**24,313**	**60,565**	67,312

12. Accounting changes

During 2011, amendments were made to Treasury Board Accounting Standard 1.2 – Departmental and Agency Financial Statements to improve financial reporting by government departments and agencies. The amendments are effective for financial reporting of fiscal years ending March 31, 2012, and later. The significant changes to the School's financial statements are described below. These changes have been applied retroactively, and comparative information for 2010-11 has been restated.

Net debt (calculated as liabilities less financial assets) is now presented in the Statement of Financial Position. Accompanying this change, the School now presents a Statement of Change in Net Debt and no longer presents a Statement of Equity.

Government funding and transfers, as well as the credit related to services provided without charge by other government departments are now recognized in the Statement of Operations and Departmental Net Financial Position below "Net cost of operations before government funding and transfers". In previous years, the School recognized these transactions directly in the Statement of Equity of Canada. The effect of this change was to decrease the net cost of operations after government funding and transfers by $66,257 for 2012 ($73,043 for 2011).

(in thousands of dollars)	2011 As previously stated	Effect of change	2011 Restated
Statement of Operations and Departmental Net Financial Position			
Government funding and transfers			
Net cash provided by Government	-	58,003	**58,003**
Change in due from Consolidated Revenue Fund	-	(851)	**(851)**
Services provided without change by other government departments	-	15,891	**15,891**
Transfer of assets and liabilities to other government departments	-	-	-

13. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation.

Annex to the Statement of Management Responsibility including Internal Control over Financial Reporting Fiscal Year 2011/12

Note to the Reader

The Treasury Board *Policy on Internal Control*, effective April 1, 2009, requires organizations to demonstrate the measures they are taking to maintain an effective system of internal control over financial reporting (ICFR).

As part of this policy, organizations are expected to conduct annual assessments of their system of ICFR, establish action plan(s) to address any necessary adjustments, and to attach to their Statement of Management Responsibility in their annual financial statements a summary of their assessment results and action plan.

Effective systems of ICFR aim to achieve reliable financial statements and to provide assurances that:

- Transactions are appropriately authorized
- Financial records are properly maintained
- Assets are safeguarded from risks such as waste, abuse, loss, fraud and mismanagement
- Applicable laws, regulations and policies are followed

The system of ICFR is designed to mitigate risks to a reasonable level based on an on-going process to identify key risks, to assess effectiveness of associated key controls, and adjust as required, as well as to monitor its performance in support of continuous improvement. As a result, the scope, pace and status of those organizational assessments of the effectiveness of their system of ICFR reporting will vary from one organization to the other based on risks and taking into account their unique circumstances.

It is important to note that the system of ICFR is not designed to eliminate all risks, rather to mitigate risk to a reasonable level with controls that are balanced with and proportionate to the risks they aim to mitigate.

This annex is unaudited.

1 Introduction

This document is the first annual annex to the School's *Statement of Management Responsibility Including Internal Control Over Financial Reporting* for the fiscal-year 2011/12. As required by the Treasury Board *Policy on Internal Control*, which came into effect April 1, 2009, the purpose of this document is to provide summary information on the measures taken by the School to maintain an effective system of internal control over financial reporting (ICFR). In particular, it provides summary information on the assessments conducted by the School as at March 31, 2012, including progress, results and related action plans along with some financial highlights pertinent to understanding the control environment unique to the School.

1.1 Authority, Mandate and Program Activities

Detailed information on the School's authority, mandate and program activities can be found in the Departmental Performance Report, in the Report on Plans and Priorities and in Note 1 of the School's financial statements.

1.2 Financial Highlights

The following are the key financial highlights for fiscal year 2011-12. More detailed information can be found in the Financial Statements on the School's website and in the Public Accounts of Canada.

Statement of Financial Position ($ 000's)

- Total liabilities as at March 31, 2012 were $21,632. Accounts payable and accrued liabilities represent the majority of liabilities (57%), followed by employee future benefits (29%) and vacation pay and compensatory leave (14%).
- Total assets at year end of $15,430 were comprised of financial assets (70%) and non-financial assets (30%). The major assets included amounts in Due from the consolidated revenue fund (63%) and Tangible capital assets (29%).
- The departmental net financial position was ($6,202), primarily due to the liability for Employee future benefits of $6,361.

Statement of Operations and Departmental Net Financial Position ($ 000's)

- Total expenses declined from $139,007 to $132,970 in 2011-12. The largest expenses were salaries and employee benefits (65% of total expenses), professional & special services (19%) and rental of accommodation and equipment (9%).
- Total revenues were $72,405 remaining stable when compared to $71,695 for the previous year.
- Net cash provided by the Government of Canada totalled $51,558 in 2011-12 compared to $58,003 in fiscal year 2010-11.

1.3 Service Arrangements Relevant to the Financial Statements

The School relies on other organizations as follows for the processing of certain transactions that are recorded in its financial statements:

- Public Works and Government Services Canada centrally administers the payments of salaries through its payroll system, the procurement of goods and services, cheque issuing services and the provision of certain accommodations.
- The Treasury Board Secretariat provides the School with contributions to cover the employer's share of employee's health and dental insurance premiums.
- The Treasury Board Secretariat also provides the School with information used to calculate various accruals and allowances, such as the accrued severance liability.
- The Department of Justice provides legal services, as required.
- The School's financial system and related functional services were provided by Health Canada (HC) under the terms and conditions set out in a Memorandum of Understanding (MOU). Related information technology services were provided by Public Works and Government Services Canada (PWGSC) to the School through a separate MOU.
- Shared Services Canada (SSC) was created on August 4, 2011 to consolidate, streamline and improve the government's information technology (IT) infrastructure services, specifically email, data centre and network services for 43 federal departments and agencies. Effective November 15, 2011, the responsibility for email, data centre and network services, including associated resources, was transferred from the School to SSC. The administration and delivery of these services were shared during the 2011-12 transition period while SSC was being established.

1.4 Material Changes in Fiscal Year 2011/12

The following significant departmental changes occurred during 2011/12.

- Tony Clement was appointed the Minister responsible for the School effective May 18, 2011.
- In January 2012, the School announced that it will cease delivery of direct language training effective April 01, 2012, the reduction to revenues is estimated to be $14 million annually.
- The School reduced the number of buildings that it occupies from 6 to 3, generating estimated annual savings in excess of $1,500,000.
- Shared Services Canada undertook responsibility for certain IT related functions as part of the government initiative to streamline common activities under the Administrative Services Review. The total value to the School of these activities is approximately $5 million per year.

2 Control Environment of the School Relative to ICFR

The School recognizes the importance of setting the tone from the top to help ensure that staff at all levels understand their roles in maintaining effective systems of ICFR and ensuring risks are well managed through a responsive and risk-based control environment that enables continuous improvement and innovation.

2.1 Key Positions and Committees, Roles and Responsibilities

Below are the key positions and committees with responsibility for maintaining and reviewing the effectiveness of its system of ICFR at the School.

Deputy Minister/President – The **Deputy Minister/President**, in his role as Accounting Officer, assumes overall responsibility and leadership for the measures taken to maintain an effective system of internal control. The Deputy Minister/President chairs both the Executive Committee and the Management Committee.

Chief Financial Officer (CFO) – The CFO reports directly to the **Deputy Minister/President** and provides leadership for the coordination, coherence and focus on the design and maintenance of an effective and integrated system of ICFR, including an annual assessment. The CFO is also the School's Values and Ethics Champion.

Deputy Chief Financial Officer (DCFO) – The DCFO reports directly to the CFO and is responsible for overseeing the School's financial management function including the production of the financial statements, external and internal financial reporting and financial control. The DCFO also leads the School's risk management function, providing objective advice to executives and staff on new and emerging risks, both internal and external, and the development and monitoring of mitigation strategies and action plans.

Chief Information Officer (CIO) – The CIO is the departmental lead for infrastructure and applications and contributes to the assessment of key risks and control.

Senior Managers – Senior managers are responsible for maintaining and reviewing the effectiveness of the system of ICFR for those key risks and controls that fall within their mandate.

Executive Committee (EC) –The EC is led by the Deputy Minister / President and is comprised of the School's Vice Presidents. As the School's central decision-making body, the EC reviews, approves and monitors the Corporate Risk Profile and the departmental system of internal control, including the assessment and action plan relating to the system of ICFR.

Management Committee (MC) – Is led by the Deputy Minister / President and is comprised of Vice Presidents and Director Generals. The School's Management Committee is responsible for planning and overseeing the implementation of the School's strategic initiatives and decisions that have significant operational and financial impacts.

Program and Curriculum Development Committee (PCDC) – Is co-chaired by the Vice-President of Learning Programs and the Vice-President of Strategic Directions, Program Development and Marketing. The PCDC is comprised of the CFO and those Director Generals responsible for curriculum management.

Corporate Management Committee (CMC) – Is co-chaired by the Vice-President of Corporate Management and Registration Services and the Vice-President of Learning Programs. The CMC is comprised of Vice-Presidents and Director Generals with a key responsibility for providing executive oversight over the School's financial management function and integrated business planning; including the investment plan, the monthly variance report process, the corporate risk profile and integrated risk management.

2.2 Key Measures taken by the School

The School's control environment comprises a series of key measures to equip its staff with the knowledge, tools and resources required to identify and manage risks effectively, including:

- Management actively communicates the vision and mission statement, strategic and action plans as well as values and guiding principles of the School.
- The School's Code of Values and Ethics, department wide related communication, training and senior level engagement through the CFO as the School's champion for Values and Ethics
- The School's Integrated Risk Management framework including;
    - The School's Corporate Risk Profile (CRP) which is reviewed and updated annually.
    - The last update to the School's CRP, completed in 2011-12, was a result of a broad based consultative effort which included client departments, staff across the School and the Departmental Audit Committee (DAC). The result was a more strategic, focused and integrated risk management approach.
    - Risk mitigation action plans are reviewed and updated quarterly, and monitored by the CMC.
    - Roles and responsibilities of senior management in managing risk are well defined and documented in the School's policy on risk management and procedures are consistent with Treasury Board Framework for the Management of Risk; and
    - Employee awareness sessions and training, conducted regularly, including a risk management tool box and the School's course offerings on risk management available and actively promoted to all employees.
- A rigorous quality assurance process has been implemented to ensure the accuracy, reliability and completeness of the financial information reported in the Public Accounts of Canada, the Departmental Financial Statements, the Quarterly Financial Reports and other external and internal reports.
- The School has implemented an integrated planning process with senior management oversight through the CMC. The integrated planning process has for objective the allocation of resources based on the School's priorities.
- The School is controlled through a centralized budgeting and commitment control process in its integrated financial management systems.
- Financial results are monitored through monthly management variance reports and a governance structure that includes oversight and approval, by senior management, of corrective actions, proposals and the allocation of resources.
- A dedicated unit under the Deputy Chief Financial Officer that develops, documents and tests common business processes with key controls, including ICFR.
- Business processes, including key controls are documented and updated as process improvements are completed.
- Regular updates to the financial delegation of signing authorities matrix.

3 Assessment of the School's System of ICFR

3.1 Assessment approach

- In support of the Policy on Internal Control, the School must be able to maintain an effective system of ICFR with the objective of providing reasonable assurance that:
  - transactions are appropriately authorized;
  - financial records are properly maintained;
  - assets are safeguarded; and
  - applicable laws, regulations and policies are followed.

This assessment includes design and operating effectiveness of the system of ICFR and ensuring the ongoing monitoring and continuous improvement of the departmental system of ICFR.

- **Design effectiveness:** key control points are identified, documented and in place. They are aligned with the risks they are intended to mitigate and any required remediation actions are addressed. This includes the mapping of key processes and IT systems to the main accounts.
- **Operating effectiveness**: the application of key controls has been tested over a defined period and that any required remediation is addressed in a timely manner.
- **Ongoing monitoring:** a systematic, integrated approach to monitoring is in place, including periodic risk-based assessments and timely remediation.

The School has identified and already documented, with the assistance of an independent accounting firm, over 400 controls encompassing the entire financial management function.

Consistent with the Treasury Board Policy on Internal Control, the School has begun the implementation, in 2011-12, of a systematic risk-based approach and multi-year assessment plan of the design and operating effectiveness of its system of ICFR. The School's risk-based approach was reviewed and validated by two independent external firms and endorsed by the School's Departmental Audit Committee.

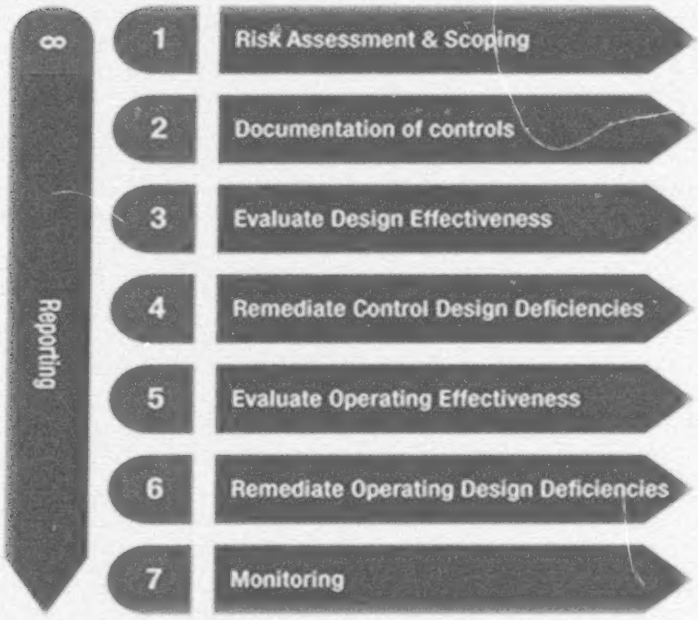
This risk-based approach, as recommended by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the Office of the Comptroller General (OCG), is based on the materiality of the amounts in the 2009-10 financial statements or their relative sensitivity. The following key business process controls were selected for assessment in 2011-12:

Material & Sensitive Items	Value ($ Million)	Importance
Salaries and Benefits	$92M	60% of operating expenses
Procurement and Contracting	$36M	24% of operating expenses
Revenues	$70M	100% of revenues arising from sales
Hospitality, Travel & Conferences	$4M	Low dollar value, but high sensitivity due to TB Guideline

3.2 Scope of the Assessment and Methodology

The Canada School of Public Service has adopted an eight step process to facilitate a common approach to the assessing the effectiveness of controls across the organization, based on guidance provided by the OCG to organizations implementing the *Policy on Internal Control*.

8-Step Assessment Methodology for ICFR



Reasonable assurance is achieved through the assessment of the design and operating effectiveness of the system of ICFR, the creation of a management action plan to address significant gaps and the on-going monitoring and continuous improvement of the key elements for each control level:

Control Level	Scope
Entity Level Controls	• Control environment • Risk assessment • Information and communication • Monitoring
Information Technology General Controls (ITGCs)	• The School's financial system (SAP) was managed by Health Canada (HC). The School has placed reliance on the results of HC's assessment of ITGCs. • The School operates the integrated learner management system (I-LMS) for registration and has performed an assessment to verify the effectiveness of system controls.
Business Processes Controls	• Revenues and accounts receivable • Pay Administration • Procurement and contracting • Travel and hospitality

For each control level and significant business process, the School's procedures are as follows:

- Gather information pertaining to processes, risks and controls relevant to ICFR, including appropriate policies and procedures;
- Document the key processes with the identification and documentation of key risk and control points;
- Perform design testing, e.g. conduct a walk-through of the documented processes and assess the alignment of controls to risks;
- Implement remediation plans for control design deficiencies as required;
- Perform operational testing on the documented processes based upon the information gathered from the documentation and design testing phases;
- Implement remediation plans for operating design deficiencies as required; and
- Develop and implement a monitoring approach and methodology.

4 The School's Action Plan and Progress to Date

In 2012-13, the School will have, to a large extent, implemented the ongoing monitoring phase. By advancing significantly this phase, the School's management will have added to its already strong financial control framework an additional degree of assurance over financial reporting. It should be noted that no significant gaps, requiring remediation, have been encountered in the work completed to date which is evidence of the effective control measures already in place at the School.

The following action plan highlights the progress made through the end of the fiscal year 11/12 and planned timeframe for completion.

Controls	Documentation	Design effectiveness	Operating effectiveness	Ongoing Monitoring
Entity Level Controls	●	●	●	**2012-13**
Information Technology General Controls	• The School relied on Health Canada for the assessment of ITGCs. The service provider has completed its documentation, design and operating effectiveness testing. • The School operates its own registration and revenue system (ILMS) and has performed an assessment			
Revenue Management (1)	●	●	○	**2013-14**
Procurement & Contracting	●	●	●	**2012-13**
Salary Management (1)	●	●	○	**2012-13**
Travel & Hospitality	●	●	●	**2012-13**

● Complete

● 75% to 100% complete

○ Less than 75%

(1) Significant progress was made through 11/12 in revenue and salary management; however, some activities remain to complete the documentation, design and operating effectiveness. The School plans to complete these activities prior to the end of fiscal year 2012-13, well within the timeframe indicated by the Office of the Comptroller General for cluster III departments of 2013-14.